DOCUMENT RESUME

ED 267 945 RC 015 671

AUTHOR Dobbs, Thomas L.
TITLE Rural Underdevelopment: Unemployment and Underemployment in South Dakota.
INSTITUTION South Dakota State Univ., Brookings. Dept. of Economics.
REPORT NO EMC-877
PUB DATE May 84
NOTE 19p.
PUB TYPE Reports - Research/Technical (143)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *Economic Opportunities; *Employment Statistics; Labor Force; Labor Market; Rural Areas; *Rural Development; *Underemployment; *Unemployment
IDENTIFIERS *South Dakota

ABSTRACT

Prepared to provide background for groups concerned with rural development in South Dakota, this paper addresses the nature, extent, and causes of South Dakota's unemployment and underemployment problems. Findings indicate that while South Dakota's unemployment rate (5.4% in 1983) has traditionally been lower and less volatile than the national rate, participation in the labor force has been increasing from 56.2% in 1970 to 61.6% in 1980, making it difficult for the economy to provide jobs for all who want them. Twenty percent of Native Americans in South Dakota's labor force in 1980 were unemployed, compared to 4% for white persons. In contrast to the nation's economy in which more than 20% of the work force was employed in manufacturing in 1980, only around 10% of South Dakota's employment was in that sector, while 13% was tied to the low-wage farming/ranching sector. Wholesale and retail trade made up 27% and services comprised 23% of the 1982 non-agricultural wage and salary employment, but both are also traditionally relatively low-wage sectors. Estimates indicate there are perhaps 120,000 economically disadvantaged persons in South Dakota, with nearly 70,000 in the potential working age span of 14-64 years and in need of training and employment services. (NEC)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

RURAL UNDERDEVELOPMENT: UNEMPLOYMENT AND UNDEREMPLOYMENT IN SOUTH DAKOTA

EMC 877

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

Thomas L. Dobbs

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☐ This document has been reproduced as received from the person or organization originating it.

☑ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

RURAL UNDERDEVELOPMENT: UNEMPLOYMENT AND UNDEREMPLOYMENT IN SOUTH DAKOTA

EMC 877

by

Thomas L. Dobbs
Extension Rural Development & Agricultural Energy Economist

Economics Department
South Dakota State University

May 1984

Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the USDA. Delwyn Dearborn, Acting Director of CES, SDSU, Brookings. Educational programs offered without regard to age, race, color, religion, sex, handicap, or national origin. An Equal Opportunity Employer.

Rural Underdevelopment: Unemployment and Underemployment in South Dakota

One way of gauging the extent of development in an economy is through an examination of employment patterns. Significant unemployment or underemployment may indicate underdevelopment in a rural economy. In South Dakota as a whole, outright unemployment is normally low, in comparison to many other states and nations. Underemployment is a significant problem, however. This underemployment is often associated with inadequate purchasing power.

This paper was prepared to provide background for groups concerned with rural development in South Dakota. It contains an attempt to provide understanding about the nature and extent of South Dakota's unemployment and underemployment problems. This attempt consists of the following components: (1) describing what is meant by unemployment and underemployment; (2) examining where and among what groups unemployment and underemployment are found in South Dakota; and (3) exploring the causes of unemployment and underemployment in South Dakota. Much of the information contained in this paper was drawn from reports of the South Dakota Department of Labor.

A. Some basic concepts and definitions

U.S. unemployment reached 9.7% in 1982--the highest rate since 1941. The rate stood at 9.6% in 1983, and had dropped to around 8% by the early months of 1984, as recovery from the recent recession continued. South Dakota's unemployment rate has traditionally been both lower and less volatile than the U.S. rate. Because of the small size of the State's manufacturing sector, we have not been as closely tied to U.S. business cycles as have many other states. Moreover, rather than face long term unemployment or underemployment prospects, many persons have left South Dakota over the years--sometimes later showing up in other states' unemployment statistics. Nevertheless, with South Dakota's

increased integration into national manufacturing and other non-agricultural sectors during the 1970's, we have seen somewhat higher unemployment rates in the State during the most recent recession. The unemployment rate in South Dakota reached 5.5% in 1982 and 5.4% in 1983. If economic recovery continues, the rate should be lower for the year 1984. We can see in Table 1 that the unemployment rates for both South Dakota and the Nation have been quite high the past few years, relative to the 1970's decade.

Unemployment rates do not tell the whole story, however. Participation in the work force has been steadily increasing, making it more difficult for the economy to provide jobs for all who want them. The 1970's saw a substantial increase in the civilian labor force participation rate--the proportion of the total civilian population which was working or seeking work. This rate increased between 1970 and 1980 from 60.4% to 63.8% on the national level and from 56.2% to 61.6% in South Dakota. Much of the increase was due to greater participation of women in the work force. In South Dakota, the number of women in the labor force increased by 47% during the 1970's, while the increase for men was only 14%. This represented an increase in the female labor force participation rate from 38% in 1970 to 49% in 1980 and a male labor force participation rate that remained approximately unchanged at 75%.

To better understand the meaning of these statistics, let us pause to relate the concepts of employment, labor force participation, and unemployment. People are condsidered by the U.S. Department of Labor to by unemployed if they are available and actively looking for work, but do not have a job. Persons are considered employed if they are doing any work at all for pay or profit; this includes all part-time and temporary work, as well as certain unpaid family workers in family-operated businesses. Building on these definitions, persons

Table 1. U.S. and South Dakota Unemployment Rates

Year	Unemployment as % of Civilian Work Force	
	United States	South Dakota
1970	4.9	*
1971	5.9	*
1972	5.6	2.8
1973	4.9	2.6
1974	5.6	2.7
1975	8.5	3.7
1976	7.7	3.5
1977	7.1	3.2
1978	6.1	3.1
1979	5.8	3.5
1980	7.1	4.9
1981	7.6	5.1
1982	9.7	5.5
1983	9.6	5.4

Sources: Economic Report of the President, 1984; and reports of the South Dakota Department of Labor.

*Conflicting data.

employed and those unemployed combine to form the total labor force.. Persons not actively seeking work are considered not in the labor force, rather than unemployed.

As already noted, unemployment rates have started to decline from their recession-induced highs of 1982 and 1983. However, some analysts feel that the declines overstate the degree of economic improvement. They note the "discouraged worker effect". So-called "discouraged workers" are those who want employment but temporarily or permanently give up the search for work. At that point, they are no longer in the work force and, hence, are not considered unemployed in official statistics. Because of structural changes taking place in many of this nation's basic industries, many workers laid off during the recession will never be able to return to their old jobs. If they are middle-aged or beyond, retraining and/or relocation to find permanent new employment may be extremely difficult. Some of these people have become "discouraged workers". One report indicates that there are 1.5 million people in the U.S. who, out of frustration, have given up looking for jobs.

Another shortcoming of unemployment statistics is that they do not account for underemployment. Underemployment exists when persons are employed in positions which do not fully utilize their skills, training, or experience or when persons are employed in part-time positions because they cannot find a full-time job. They are considered "employed" in official statistics, even though their time or skills are underutilized. There are presently no official government statistics available on the extent of current underemployment in the United States or in South Dakota.

Individual researchers have sometimes measured underemployment using various formulae. Underemployment in one study was measured by the number of persons who worked less than 40 weeks per year divided by the total persons in

the labor force who worked at all during the year, with the result expressed as a percentage. By this measure, 28% of U.S. workers and 32% of South Dakota workers were underemployed in 1969.

Another, more complex measure of underemployment that has been used in a couple of studies is referred to as the "economic utilization index"". This index is the ratio of a group's actual median income to its "warranted" earning capacity. In computation of this index, the warranted earning capacity is an expected income measure for a population with given characteristics in a local area compared with a national level population group with the same age, education, work experience, and other characteristics. The measured economic utilization index for South Dakota was 94% in 1970, indicating that workers were earning less than their "capacity", by national norms.

Before going on to examine the specifics of unemployment and underemployment problems in South Dakota, a brief overview of the State's labor force is in order. This overview is provided in Table 2. We can see that the State's labor force has grown by nearly 84,000 persons since 1970 (338,000 in 1984 compared to 254,245 in 1970). Roughly two-thirds of the labor force growth during this period was made up of women. This is due to substantial increases in the labor force participation rates of both white and non-white women in the State.

Labor force participation rates are highest among white males (79.9%). Nonwhite males (59.8%), white females (54.7%), and nonwhite females (43.9%) follow, in that order. White males thus constitute slightly more than one-half (55%) of the South Dakota labor force. Nonwhite males and females, combined, constitute 5.3% of the labor force, although they make up 6.7% of the adult (16 years and older) population. Most persons in the nonwhite category in South Dakota are Native Americans. Native Americans constituted 6.5% of South Dakota's 1980 total population of 690,768.

Table 2. Composition of the South Dakota Labor Force

Population Groups	1970 Population	1970 No. In Labor Force	1970 Labor Force Participation	1984* Population	1984* No. In Labor Force	1984* Labor Force Participation
(16 Yrs and Older)						
All Persons	452,090	254,245	56.2%	512,736	338,000	79.9%
White Males	212,368	161,052	75.8%	232,837	185,954	79.9%
White Females	221,711	85,197	38.4%	245,350	134,256	54.7%
Nonwhite Males	8,709	4,860	55.8%	16,493	9,871	59.8%
Nonwhite Females	9,302	3,136	33.7%	18,056	6,919	43.9%

Source: South Dakota Annual Planning Report No. 13, June 1983, by South Dakota Department of Labor.

*Estimated.

B. The demography and geography of unemployment and underemployment in South Dakota

There are several ways to look at unemployment and underemployment to understand where and among whom the problem is most severe in South Dakota. The ways we will look at the problem here are by geography, race, sex, and age.

Geographically, statistics indicate that five South Dakota counties had unemployment rates greater than 10% in 1982, compared to the statewide average that year of 5.5%. Those counties were Buffalo (19.1%), Corson (12.2%), Dewey (11%), Todd (13.9%), and Shannon (15.6%). All five have substantial Native American populations residing in them. Counties encompassing the Standing Rock, Cheyenne River, Pine Ridge, and Rosebud Reservations had an average unemployment rate of 11.3% in 1982. In those same counties, 36% of the persons working were employed only part-time (less than 40 weeks per year) in 1969, compared to 32% for all of South Dakota. On the other hand, the "economic utilization index of underemployment for those counties was 93%, quite close to the statewide average of 94%. What this says is that the incomes of labor force groups in those counties is roughly equivalent to groups in other South Dakota counties with similar age, educational attainment, work experience, employment status, labor force status, and occupational structures. However, as previously indicated, a measured index of less than 100% implies that workers in South Dakota as a whole made less than their "earning capacity" in 1970.

Statistics categorized by race provide further detail for the picture just drawn. Of Native Americans in the South Dakota labor force in 1980, 20% were unemployed, compared to 4% for white persons. The unemployment rate for nonwhite males is expected to be more than 40% in 1984 (Table 3). In other words, of 16,493 nonwhite adult males, 9,871 of whom are available for and seeking work

Table 3. Expected* 1984 Unemployment Rates In South Dakota: by Race, Age, and Sex

Total Unemployed (16 Yrs and Older)	Unemployed	Rate of Unemployment
All Persons	18,000	5.3%
White Males	6,802	3.7%
16-17	974	15.5
18-19	701	9.9
20-24	1,724	7.3
25-34	1,692	3.3
35-44	575	1.7
45-64	1,010	1.9
65 Yrs & Over	126	1.2
White Females	5,750	4.3%
16-17	918	16.9
18-19	682	11.3
20-24	1,347	7.0
25-34	1,268	3.4
35-44	748	2.8
45-64	709	2.1
65 Yrs & Over	78	1.3
Nonwhite Males	4,079	41.3%
16-17	131	28.3
18-19	263	33.3
20-24	957	51.8
25-34	1,769	50.9
35-44	589	35.9
45-64	338	21.8
65 Yrs & Over	32	29.9
Nonwhite Females	1,369	17.3%
16-17	175	33.6
18-19	166	17.6
20-24	384	29.4
25-34	237	11.2
35-44	196	13.0
45-64	208	10.9
65 Yrs & Over	3	2.3

Source: South Dakota Annual Planning Report No. 13, June 1983, by South Dakota Department of Labor.

*Rates estimated in advance of 1984.

(Table 2), 4,079 are expected to be unemployed during 1984. Furthermore, if the nonwhite male labor force participation rate (presently 59.8%) were as high as the rate for white males (79.9%), another 3,307 nonwhite males would be in the labor force. If we add those 3,307 nonworking men to the 4,079 unemployed nonwhite men, the total is 7,386--nearly one-half of the adult nonwhite male population in South Dakota. This constitutes a major employment problem for the nonwhite, primarily Native American, population in South Dakota!

Lower labor force participation rates for women than for men have already been noted (Table 2). However, female labor force participation rates have gained substantially on the rates for males over the past 10 to 15 years. Women have joined the labor force in increased numbers for many reasons. Financial necessity is obviously one of the reasons. Double-digit inflation in the 1970's induced many women to work in order to help maintain or improve their family living standards. Higher divorce rates have resulted in more female headed families. Moreover, as large numbers of people born in the baby boom 1950's entered the work force, competition for jobs held wages down, causing more young families to rely on two incomes. In addition to these and other financial reasons, many women began in the late 1960's and the 1970's to seek employment for reasons of personal fulfillment and economic independence. The result has been a substantially expanded female labor force in South Dakota.

Although there is still a smaller proportion of women than there is of men in the South Dakota labor force, unemployment rates for women show a mixed picture. Overall unemployment rates for the two groups were quite similar in 1980--5.1% for men and 4.6% for women. In 1984, they are expected to be about 3.7% for white men and 4.3% for white women (Table 3). For nonwhites, however, the unemployment rates are substantially lower for women than for men. They were 23.4% for Native American men and 16.6% for Native American women in 1980.

in 1984, they are expected to be 41.3% and 17.3% for nonwhite men and women, respectively. What these statistics tell us is that fewer nonwhite women than nonwhite men are unsuccessfully seeking work. However, if we combine labor force participation and unemployment information, we see that roughly the same proportion of nonwhite adult men as women are actually employed--around 35%.

Unemployment rates by age group are also shown in Table 3. We can see that expected 1984 unemployment rates are higher in all nonwhite age-sex categories than in the corresponding white categories. Unemployment rates are particularly high among nonwhite men in their twenties and thirties.

Having viewed the extent of unemployment and underemployment in South Dakota, we turn in the next section to causes.

C. Causes of unemployment and underemployment

South Dakota's unemployment and underemployment problems result from both inadequate economic opportunities and, in some cases, inadequate skills and training. Employment opportunities depend very much on the structure of a state's economy. Let us therefore look at that structure in South Dakota.

South Dakota is much more dependent on agriculture than are many other states. Earnings received directly from farming and ranching constitute 15-20% of total earnings in South Dakota, and a significant additional portion comes indirectly from agriculture through agri-business firms and other retail businesses selling to farm and ranch families. Approximately 13% of the State's employment is in farming and ranching. In contrast to the Nation's economy, in which more than 20% of the work force was employed in manufacturing in 1980, only around 10% of South Dakota's employment was in that sector. Thus, we have long had fewer industrial employment opportunities and been more dependent on agriculture than many other states.

This heavy agricultural dependence has contributed greatly to the limited and low-wage employment opportunities. Farm numbers in the State have declined continuously since the mid-1930's--from 83,303 in 1935 to 37,147 in 1982. Farm and ranch employment made up 45% of the State's employment in 1940, but makes up less than 15% at present. The farm and employment number declines represent a major exodus of people over the past 50 years. With very limited off-farm employment opportunities in South Dakota until the 1970's, people flowed to cities in other states. Thus, the large <u>supply</u> of labor--coming from South Dakota farms and ranches--coupled with limited local <u>demand</u> for that labor led to relativley low wages.

Off-farm employment opportunities did improve during the 1970's in South Dakota. Industrial firms were drawn to South Dakota by several factors-- including low wages and workman's compensation costs, improved interstate highway transportation, and low taxes. Between 1965 and 1979 (just prior to the economic recession of the early 1980's), non-agricultural wage and salary employment in South Dakota rose by 55%. Three sectors accounted for more than two-thirds of the non-agricultural employment growth during this period. In order of importance, they were the following: (1) wholesale and retail trade; (2) services; and (3) manufacturing (including processing).

There were about 310,000 persons employed in South Dakota in 1982, of which approximately 40,000 were in farm and ranch employment, 230,000 were in non-agricultural wage and salary employment, and the remainder were self-employed or in other miscellaneous categories. Wholesale and retail trade made up 27% and services made up 23% of the non-agricultural wage and salary employment (Table 4). Both of these have traditionally been relatively low-wage sectors. Manufacturing experienced major growth in South Dakota during the 1965-79 period, but was only 11% of non-agricultural and salary employment in 1982.

Table 4. Non-Agriculture Wage and Salary Employment in South Dakota

Industrial Category of Employment	Year 1965 Employment as Percent of Total	Year 1982 Employment as Percent of Total
Manufacturing	8.7	10.9
Durable Goods	2.5	5.3
Non-Durable Goods	6.2	5.6
Non-Manufacturing	91.3	89.1
Mining	1.6	1.0
Contract Construction	5.6	3.4
Transportation and Public Utilities	6.5	5.4
Wholesale and Retail Trade	26.7	26.9
Finance, Insurance, and Real Estate	4.5	5.1
Services	16.3	22.7
Government	30.2	24.6
Total Non-Ag Wage and Salary Employment	100.0%	100.0%

Source: Derived from data in reports of the South Dakota Department of Labor.

Except for meat processing, South Dakota's manufacturing sector is largley non-unionized. Though South Dakota manufacturing wages tend to be much lower than in the eastern U.S. and the industrialized Upper Midwest, they are frequently higher than in other available sources of South Dakota employment. Consequently, outmigration from South Dakota slowed during the 1970's in part because of newly available manufacturing employment opportunities. Recent growth in financial services employment (part of the finance, insurance, and real estate sector in Table 5) has also permitted more people to remain within the State.

In attempts to achieve acceptable family income levels, many families combine farm and off-farm income. Off-farm income represented 25-30% of net income earned by South Dakota farm families in the late 1970's. Many farm wives took jobs in the State's expanding manufacturing sector during the 1970's. Some small, part-time farms, of course, are not the prime source of current income at all; rather, they provide a rural residence, livestock activities for children, and an opportunity for the family to build equity in land.

Not specifically mentioned thus far are the severe impacts declining farm numbers have had on small towns in South Dakota. Many South Dakota towns have historically depended on the trade of farm families for their economic livelihood. As farm numbers have declined, small businesses have suffered and many have ceased to exist. Consequently, except where replacement manufacturing industries have emerged, employment opportunities in South Dakota's small towns have been meager.

Employment opportunities, or <u>demands</u> for labor, are one side of the equation. The other side, which now needs to be discussed, is the quality of labor <u>supplies</u> in South Dakota. South Dakotans have a well-deserved "willingness-to-work" reputation. But, are some of the unemployment and

Table 5. South Dakota's 1983 Annual Average Nonagricultural Wage and Salary Employment by Industry

	1983	1982	Percentage Change
	(1,000)	(1,000)	
Total	233.0	230.2	1.2
Mining	2.6	2.3	13.0
Construction	8.3	8.2	1.2
Manufacturing	25.7	24.8	3.6
Durable Goods	13.1	12.2	7.4
Fabricated Metals & Machinery	8.3	7.8	6.4
Nondurable Goods	12.6	12.5	0.8
Food & Kindred Products	7.7	7.9	-2.5
Paper, Printing & Publishing	2.6	2.5	4.0
Transportation and Public Utilities	12.3	12.5	-1.6
Transportation	6.9	6.9	0.0
Communication & Public Utilities	5.4	5.6	-3.6
Wholesale and Retail Trade	61.6	61.9	-0.5
Wholesale Trade	16.2	16.4	-1.3
Durable Goods	7.1	7.4	-4.1
Nondurable Goods	9.1	9.1	0.0
Retail Trade	45.4	45.5	-0.2
Finance, Insurance and Real Estate	12.4	11.8	5.1
Services	53.3	52.0	2.5
Hotels, Amuse., Pers. & Business	14.0	13.5	3.7
Medical and Health	22.1	21.6	2.3
Educational, Membership & Social	14.3	14.0	2.1
Government	56.9	56.6	0.5
Federal	10.2	10.2	0.0
State	16.0	15.8	1.3
State Education	7.5	7.4	1.4
Local	30.7	30.7	0.0
Local Education	17.2	17.2	0.0

Source: "South Dakota Labor Bulletin for December 1983", January 1984, by South Dakota Department of Labor.

low-wage problems perhaps due in part to lack of education, skills, or other work-related qualities?

The education level of South Dakota's work force has been steadily rising. More than three-fourths of the employed persons in South Dakota have high school diplomas and ever increasing numbers are college educated. Many of those suffering most from unemployment have low education levels, however. More than 40% of the 11,460 "economically disadvantaged" persons who registered in fiscal year 1982 with the South Dakota Job Service did <u>not</u> have a high school diploma. In today's economy, this lack of formal education can be a severe limitation to employment access.

Lack of the "right" education or skills can also be a problem, though the extent of this problem is difficult to know and document. However, it seems clear that an ever more technically sophisticated economy is going to require vocationally and college educated employees who are well grounded in the sciences. Whether our youth seek employment within or outside the State, a strong educational base is going to be essential.

<u>Location</u> can also be an employment handicap for some in South Dakota. More than half of the 11,460 economically disadvantaged Job Service applicants mentioned above were rural residents. Some of these rural areas, particularly in western South Dakota, are long distances from towns of any substantial size. Commuting to jobs is infeasible in many such circumstances. For those individuals unable to move because of economic, family, or other reasons, job access is greatly restricted.

It has been estimated (by the South Dakota Department of Labor) that there are perhaps 120,000 economically disadvantaged persons in South Dakota. Of these persons, nearly 70,000 are in the potential working age span of 14 through 64 years. Many persons within this group may need special training or other

employment services. These 70,000 constitute about 16% of the total South Dakota population in that 14-64 years age category. Twenty-five thousand of these economically disadvantaged persons are from 22 to 44 years of age. It is vitally important that people in this age span, with potentially their best working years yet ahead of the, not be economically bypassed for lack of employment skills and services.